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SUBJECT: UNESCO REFORM: NEW STRATEGY UNVEILED ON VOLUNTARY CONTRIBUTIONS

1. This is a Guidance Request, see para 4.

2. Summary and Comment: UNESCO Extrabudgetary Funding Director Moller briefed Geneva Group members on the Director general's plans for a more strategic approach to extra-budgetary resources; these now account for more than half of UNESCO's funding. The DG's action plan includes: outlining in budget documents strategic frameworks to include potential extra-budgetary funding opportunities, and holding a "unified donor event" at the close of the General Conference. Although Geneva Group members welcomed these proposals, the U.S. and France stressed the importance of a realistic and effective regular budget.

3. Regarding the 2006-2008 budget, Moller reported that only limited progress had been made in mobilizing donations to the 25 million USD supplemental fund; looking forward to the 2008-2010 exercise, she stressed that the large percentage of UNESCO's budget devoted to fixed costs (salaries) highlight a limited margin of maneuver.

4. Mission requests guidance/comments on DG's action plan (174 Ex/inf.4). Given the Geneva Group's interest in pursuing issues relating to overall UN reform, Mission would appreciate being kept abreast of USG objectives and positions regarding relevant issues. End Summary and Comment.

Extrabudgetary Director Previews Action Plan

5. DCM and Science Officer attended the April meeting of UNESCO's Geneva Group, focusing on the Director General's Action plan on Extra-budgetary contributions. The presenter, Birgitte Moller, director of cooperation with extra-budgetary funding sources, reminded the group that the action plan had been unveiled before the last Executive Board in response to a report from the Canadian External Auditor. That report highlighted the need for a strategic approach to mobilizing and use of extra-budgetary resources (document 174/EX inf.4).

6. In her briefing, Moller stressed to the group that the new budget document for 2008-10 (C/5) will feature strategic frameworks for each program, whose scope will include potential extrabudgetary funding opportunities, and will thus offer a unified strategic vision for all UNESCO activities. Regarding the feasibility of advance planning in deploying extra-budgetary resources, Moller evoked the idea of holding a "unified donor event" at the General Conference, after the budget is adopted, to be followed by one-on-one consultations. She noted that in the current situation, one half of UNESCO's resources are deployed without any policy debate, or monitoring by UNESCO's governing bodies.

Geneva Group Welcomes Strategic "Shopping List"

7. The Geneva Group co-chair (UK Ambassador) cited overall UN reform efforts, saying that the goal should be to have agencies so well run that member states are willing to finance regular budgets adequate to their needs. He expressed the hope that inclusion of extrabudgetary fund in strategic frameworks would enhance oversight by member states. The other Geneva Group co-chair (Japan DCM) stressed the "voluntary" nature of extra-budgetary contributions, but said that a "good shopping list" of "specific well-structured proposals" could increase donor confidence (Japan is a major extra-budgetary donor to UNESCO). Japan stressed the difficulty in obtaining un-earmarked multi-year extrabudgetary donations; many agreed, including Canada, who asked about the status of the 25 million dollar supplementary fund (established to enhance the 2006-2008 Zero nominal growth regular budget).

8. Sweden spoke in favor of a General Conference donor's event, and of associating extra-budgetary project planning with UNESCO's overall programming exercises. Italy, another major extra-budgetary donor, also supported the idea of a General Conference event that would allow flexibility while facilitating planning, and cited the need to track results of extra-budgetary projects. France and the U.S. stressed the importance of a realistic core budget in financing UNESCO priorities, France noting management problems entailed by a large volume of extrabudgetary funds.

25 Million Dollar Budget Fund: As Yet, "Inconclusive"

19. On the 25 million supplementary fund, Moller described the experience as "inconclusive." So far, the only major contributor is Japan, who pledged 1.3 million USD - but earmarked for earthquake victims in Pakistan. France has pledged 400,000 euros; the UK 100,000 pounds for oversight and evaluation. Although "We've not given up," the battle is not won. Moller acknowledged that UNESCO could perhaps press the account more determinedly in its meetings with potential donors. (Note: at a separate event, UNESCO ERC officer Kulikowski queried science officer on USG intentions regarding the fund. End Note.)

Field Offices in Search of Strategic Coordination

19. In response to a U.S. question on oversight of the use of extra-budgetary resources by field offices, Moller described this as a major challenge, given that "there's more and more action" in the field with the development of UN country plans. UNESCO is present in many countries, "but not all that present," and there is perhaps a tendency to try and do too much. There is a problem of control, she acknowledged; "if a donor wants to pay, we are going to do their activity." This results in a plethora of small of small activities that don't necessarily fit with overarching goals. Efforts to restore order sometimes inspire a negative reaction from field offices, who accuse headquarters of being dictatorial. Thus, a major challenge is to find the right balance between a global and a "bottoms-up" approach. The first step is for headquarters to talk to field offices, and that will happen in the context of consultations on the medium-term strategy (2008-13) in workshops that the strategic planning bureau is holding on programming.

UN Agencies Engaged in Price Cutting Competition?

10. In response to a question posed by Switzerland as to whether evaluation/audit costs associated with extrabudgetary projects could be paid out of the 13 percent overhead fee UNESCO normally charges, Moller acknowledged competition among UN specialized agencies resulting in price cutting on overhead fees. UNESCO is at a disadvantage, given that certain fixed costs related to travel communication and personnel are normally not worked into its extrabudgetary contracts. The real cost for overhead is in fact 30 percent, creating an untenable situation now that extra-budgetary contributions represent more than 50 percent of UNESCO funding. With greater harmonization between extrabudgetary and regular budget projects, the problem would be somewhat less pressing, Moller posited.

UNESCO Geneva Groups to Engage on UN reform?

11. Japan co-chair briefed on his participation in the recent ELM (experts meeting) and CLM (representatives from capitals) meetings in Geneva, reporting that the UNESCO Geneva Group was one of the most active in the UN system. The UK co-chair suggested that the UNESCO Geneva Group might be more forward leaning in engaging other groups within UNESCO, for example the G-77. This proposal was swiftly countered by France and Canada, who stressed the informal character of the Geneva Group.

12. The UK co-chair suggested that the group might also explore issues relating to broad UN reform efforts that would have impact on UNESCO: during her briefing, extrabudgetary funds director Moller had described the DG's engagement in this issue, and his opposition to the distinction drawn by some in New York between UNESCO's normative work and its efforts in the field. The UK suggested that the UNESCO Geneva Group would have a big stake in the issue of system-wide coherence, for example, given UNESCO's broad mandate.

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